CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

SPECIAL MEETING APRIL 27, 1984

Present: Mr. G. Fisher, Chairman, Prof. L. Bessner, Mr. M. Bourgault, Ms. A. Kerby, Prof. H. Ladd, Prof. G. Martin, Ms. S. O'Reilly, Mr. B. Smart, Ms. E. Gardham, Miss D. Johnson, Mr. M. Hamilton of William M. Mercer Ltd.

Opening Remarks:

The Chairman noted that the purpose of this meeting was to redraft and improve our Resolution to the Board regarding Concordia past service and to approve the minutes of the last two meetings. The Chairman called for two separate motions on the minutes of the last two meetings.

Minutes of the meeting March 9, 1984:

Mr. Smart proposed a motion to approve the minutes of the meeting of March 9, 1984. Prof. Martin seconded the motion and it was unanimously carried.

Minutes of the meeting of March 28, 1984:

The motion of approval of the minutes of March 28, 1984 was proposed by Mr. Smart, seconded by Prof. Bessner and unanimously carried.

Resolution Regarding Concordia Past Service:

The Chairman noted that we are all aware of why we are still discussing this particular point; there has been a misunderstanding and we are here to do what we should have done three weeks ago. The regularly scheduled meeting had to be cancelled because we did not have quorum. We have the wording that we would have proceeded with, would anyone like to improve on the motion.

Prof. Bessner stated that the wording should have come back to the table for discussion and asked who had prepared the final document and what was the rationale behind it.

Prof. Martin pointed out that the only section left out was the reference to age 54 because of the Human Rights legislation. This appeared to leave an open loop-hole which was covered by the modified version. It was felt that the resolution, as prepared, was in line with the feelings of this committee. The document reflected an understanding of the ideas that we wanted to look after those who were retiring and see that they got full benefit of the resolution as well as those who were already retired.

...../2

Miss Kerby asked what the rationale was for the four years.

Mr. Hamilton replied that this was directly related to the liabilities against the fund. The Chairman added that creating the precedent was exactly what we were out to achieve without jeopardizing the fund. The resolution, as stated, encompasses the first five years of people retiring in 1984 and the four subsequent years.

Mr. Smart added that it is a bit like those who can afford to send their kids to private school and have several children. A recognition of the moral obligation to finance all of them.

The Chairman noted that we have agreed that there will be a moral obligation on the part of the members of this committee to make that recommendation ultimately; if, of course, the actuarial evaluation suggests that it is the safe thing to do.

Prof. Ladd posed a question about the possibility of the government taking over the pension funds of institutions which are para-public. Mr. Bourgault added that he is quite disturbed by this situation. A few years ago the Quebec government announced that they were taking over all pension funds with the result that a lot of insurance companies moved out of Quebec. What will happen if the government takes over the Universities and hospitals? Would that stop us from going ahead with this.

The Chairman indicated that we are worrying about a whole lot of things at the same time here. We cannot start to second guess the actuary on what is essentially a moving target. We have to come up with a margin we can feel comfortable with.

The fund money belongs to the employees of the University and we, the Benefits Committee, have to be prepared to explain to both sides how we are spreading the largesse around.

Mr. Hamilton stated that we evaluate the pension plan on a consistant basis. We get a certain figure but the actuary does not say you can not have unfunded liabilities. We have to distinguish two things; do we want to change the actuarial basis and if we create the unfunded liability are we prepared to live with it?

Prof. Martin addressed the question of the government taking over all pension funds. This is one of the reasons we have chosen the investment management people we have. This committee would be faced with a significant decision. Do we want to opt in or out. If the investments would have to be 80% in Quebec we would then be into a battle of human rights and constitutional rights. The scenario of government take over of pensions is very, very complicated and I do not think we can plan for all eventualities.

Getting back to the resolution we proposed; we said we would protect all retiring people with the hope that the plan would produce a profit in the next year. We can fund it to the extent of 1.8 million dollars which will also cover all retirees.

Prof. Bessner indicated that at the April (1983) Board meeting there was a commitment to equalize the pension benefits for members from both founding institutions.

...../3

The Chairman reiterated that the committee has already agreed to this commitment and it is not an issue for further discussion. We will equalize the benefits as quickly as possible. All we have been discussing is ways and means. The University does not have the money to advance; it is not a matter of saying we only need 3 million. That is a receipe - recipe for failure. We have agreed that everybody would be treated equally, starting with the people retiring now, with every expectation that next year we will be able to make exactly the same commitment. We have already agreed on that; all we have to agree on is the way of achieving this and we should proceed with the resolution.

Prof. Bessner pointed out that on three occasions Prof. Martin mentioned he was willing to run an unfunded liability to the extent of the additional 600 thousand dollars.

Mr. Hamilton emphasized that it is very difficult to cost a resolution that says you are going to cover a certain group that is retiring. I am reluctant to go too far out on the limb that I cannot foresee. The accuracy is just not there. Prof. Martin added that if everybody who was eligible actually retired this estimate would be too low.

Prof. Bessner asked; if I were retiring in year 6 there could be a case to come back to us but this is five years down the road. The only circumstances under which we would extend this to that point are so miserable they do not bear consideration. I am reasonably sure that by year 6 everyone will have gotten 100% equalization.

Mr. Smart noted a concern about the lack of balance in this debate. Who is this plan meant to protect? We are talking about retroactive benefits for a minority of the members which will eat up the surplus of the funds of all members. Now it is suggested that we change the evaluation of the plan and throw the whole fund into jeopardy. If we do that we have to go out to the membership.

Ms. Kerby responded that the whole of the surplus was not directed solely to this matter. Part of it is directed to survivors, a minority group, part to retired employees for supplements; also a minority group and part of it to the C.U.F.A. settlement. We are in no way using the whole surplus to feed this minority.

The Chairman reminded committee that within the boundaries of what we have proposed to do we are within a hairs breadth of having everyone agree on something that we want to do. If we cannot agree it might be necessary to go to the members of the pension plan itself and we would not like to see that happen. It might cause more problems than it would solve.

Mr. Bourgault expressed a fear that the government could pass a law any day which would result in the takeover of the pension plan.

Prof. Martin noted that one of two things can happen. The legislation will focus on the investment side or they will deal with the benefits side and all this will be picked up and cleaned up at the government's expense.

Prof. Ladd took umbrage with some of the comments that have been made. He noted that the relationship between the employees and the administration, particularly the faculty, is poor.

The Chairman noted that the relevance of the relationship between the employees and the administration escaped him. This is a committee of the owners of the pension plan and we have nothing to do with the employee/employer relationships.

Mr. Smart noted that he would like to propose a motion for approval of the reworded resolution. We have gone through an agonizing appraisal about the greatest need and we have recognized that even though we are trying to improve benefits for current employees the greatest need exists with retired and retiring employees and that is where we should put our funds. This resolution permits us to say right now we can afford to support five years of those retiring and the moral obligation is there. To go further and create an unfunded liability would be immoral.

The motion was seconded by Prof. Martin.

Prof. Bessner made the observation that the Loyola campus people have been looking for equity of all employees since the merger.

The Chairman called for a vote on the motion as amended. Ms. Kerby asked if objections to the motion could be specifically clarified first, then a vote can be taken on the amended resolution. The main objection is that some members of committee wish to clean up the past service issue once and for all. The fund is valuated conservatively and Mr. Hamilton has given us clear indiciations that the fund is in a good position.

The Chairman reminded committee that if we take the bull by the horns now we are putting the fund in a liability position. This also assumes that we can get support across the whole population of the plan to do that.

Prof. Ladd indicated he was not sure that this year and every year for five years was the same as age 54 and on.

It was noted that if we left the age in, next year there will be a group of employees who are eligible to retire early but will not be able to benefit from 100% past service if they retire. They are not covered by the resolution that specifices age 54 whereas if the qualifier is retirement this will include everybody who retires in the next five years regardless of their age now.

Prof. Martin also noted that the Board has already affirmed the commitment that every year this committee must report to the Finance Committee and every year we must look at the question of past service.

Prof. Ladd emphasized that the first priority should be for any surplus to go to past service. Mr. Smart added that most of the surplus went to cover the retroactive pension benefits for faculty members.

...../5

Mr. Hamilton pointed out that we are required by law to fund the current and past service costs incurred through salary increases.

Prof. Martin noted that the C.U.F.A. salaries are now fixed for the whole of 1984. We built in a factor of 6.5% for salary increments and 20% of surplus will come into the fund according to the adjusted market valuation method. Chances are we are almost at the 3 million required no matter what else goes on. I am not prepared to support a commitment which locks us in no matter what else happens.

Mr. Smart noted that last year we financed 40% for everyone, this year we feel we can guarantee 100% to those retiring for at least five years. Would you be prepared to add to the resolution ....." subject to consultation with the community at large?"

Prof. Bessner asked if we could ask the Board to seek alternative means of financing the adjustment. The Chairman suggested that Prof. Martin and Prof. Bessner work on the revised wording of the resolution while the other members break. Following the break Prof. Martin read the revised resolution.

BE IT RESOLVED

1) "THAT the Pension Plan for Employees of Concordia University be amended as of and from January 1, 1984, in such a way that any member who retired prior to January 1, 1984, and any member who retires in 1984, and in the four subsequent years, shall receive 100% of the past service pension adjustment described in Section X of the plan document, instead of the 40% heretofore provided.

   "The Committee reaffirms its commitment to move to 100% for all affected members as a top priority. To this end, any surplus earned on an annual basis will be used to reduce the differential in future years. If it is unable to do so by the end of the above period, it strongly recommends to the Board to arrange for financing of the differential by other means.

   "The Benefits Committee will also continue to review, annually, the actuarial fund and report to the Board of Governors."

2) "THAT effecitve June 1, 1984, an ad hoc pension supplement of 8.5% be paid to those members of the pension plan who retired prior to January 1, 1982. For those members who retired after January 1, 1982 a pro-rated amount of the supplement should be paid."

3) "THAT any ad hoc supplements will be continued in the same way and to the extent as the basic pension benefit."

...../6

The Chairman asked if there were any further proposed amendments to the wording. No further amendments were put forward therefore the Chairman called for a mover and seconder. The motion was moved by Prof. Bessner, seconded by Prof. Martin and carried. (Five votes in favour, one against.)

Miss Johnson asked if the effective date for payments would be retroactive to January 1, 1984. This effective date was confirmed.

The meeting adjourned at 2:25 p.m.

The Chairman noted the next meeting is May 11, 1984.

Respectfully submitted,

M. Dawn Johnson, Secretary
Concordia Employee Benefits Committee

Special thanks to recording secretary L. Gardham